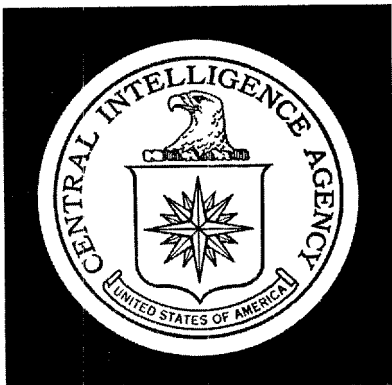


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DIRECTORATE OF  
INTELLIGENCE

# WEEKLY SUMMARY

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C O N T E N T S

(Information as of noon EDT, 25 May 1967)

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Except for a one-day standdown in observance of Buddha's birthday, allied forces last week continued their major assault against North Vietnamese staging areas and heavy gun positions in northeastern Quang Tri Province. In Saigon, signs that Chief of State Thieu intends to run for the presidency are creating friction in military circles.	
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- BRAZILIAN POLICY DIRECTION CAUSES CONCERN 29  
 There is growing concern among responsible Brazilian military and political leaders over President Costa e Silva's failure to assert firm leadership in either domestic or foreign matters.

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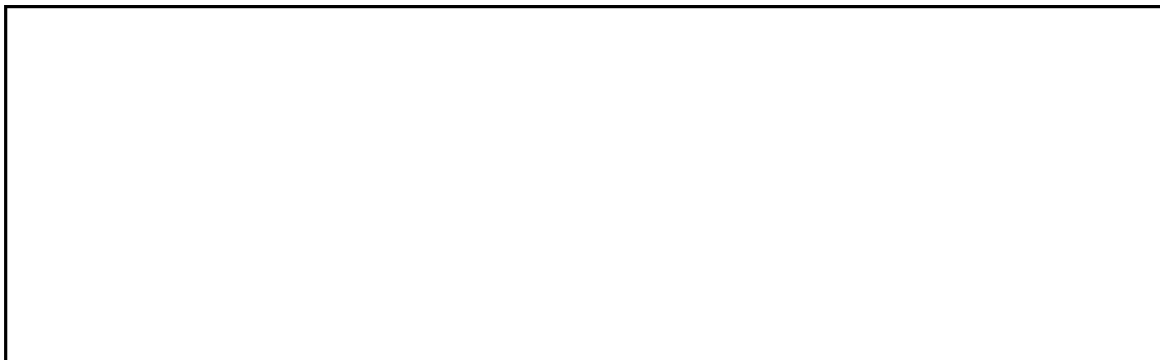
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PERU'S FISCAL CRISIS CAUSING POLITICAL PROBLEMS 30  
 Military leaders are greatly concerned over a political stalemate between President Belaunde and the opposition-controlled Congress on the subject of new taxes to meet an economic and fiscal crisis.

CUBA PLEDGES TO SUPPORT SUBVERSION 31  
 Havana last week acknowledged its involvement in the guerrilla landing in Venezuela on 8 May and defiantly promised continued support to "all revolutionary movements fighting against imperialism in any part of the world."

OAS MOVING CAUTIOUSLY ON CUBAN AGGRESSION ISSUE 32  
 Some members of the Organization of American States fear that a hastily called consultative meeting of foreign ministers will result in a sterile condemnation of Cuba which will only underline the impotence of the OAS in the face of Cuban-supported subversion.

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## FAR EAST

Although the confrontation in Hong Kong remains tense, local Communist leaders appear uncertain as to their future course in the face of the unyielding British stance. The Hong Kong Government has banned unauthorized demonstrations and public meetings and has taken other strong measures to suppress leftist agitation. In Peking the regime is displaying strong public support for the Hong Kong leftists by denouncing alleged British "atrocities," demanding prompt acceptance of its five-point demand of 15 May, and staging new demonstrations outside the British Embassy. It is still unclear, however, how far Peking will go in supporting more violent and risky actions to force British compliance with Chinese demands.

There is no evidence so far that policy in dealing with the Hong Kong crisis has become an issue in the internal struggle in China. Reports in Chinese media of widespread violence and disorder underscore the apparent inability of the Peking leaders to exert effective authority in some areas. Peking posters have blamed local military commanders for instigating clashes with militant Red Guards in at least five provinces.

The brief truce in Vietnam commemorating Buddha's birth produced no changes in the diplomatic impasse. Although Hanoi routinely denounced US and South Vietnamese operations in the southern Demilitarized Zone as an "extremely serious step of war escalation," it avoided any charge that this operation has destroyed the Geneva agreements as a whole. There were no indications that Hanoi interpreted this operation as foreshadowing an invasion of North Vietnam or that it will result in any significant changes in Hanoi's war policy.

Pressure on the fragile unity of Saigon's military leadership increased with an announcement that Chief of State Thieu has decided to run for the presidency. The rivalry between Thieu and Premier Ky apparently encouraged the leading civilian contender, former premier Tran Van Huong, to decide on an early declaration of his candidacy.

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## VIETNAM

US Marine and South Vietnamese Army (ARVN) task force elements are in the final phase of a major offensive against an estimated 9,000 North Vietnamese regulars in the southern portion of the Demilitarized Zone (DMZ) and adjacent areas of northeastern Quang Tri Province.

The allied campaign began on 17 May in an effort to relieve heavy Communist pressure on five Marine outposts--Con Thien, Cam Lo, Camp Carroll, Gio Linh, and Dong Ha--on the periphery of a strategic 100-square mile area just south of the buffer zone. Marines positioned in this area have suffered heavy casualties from two months of steady artillery, rocket, and mortar bombardment from emplacements within the DMZ. There had been recent indications that elements of at least three North Vietnamese regiments had completed battlefield preparations for a major ground assault against the Con Thien garrison.

Communist resistance to the allied push has varied from moderate to heavy. As of 25 May, confirmed enemy losses stood at 641 killed as against allied casualties of 125 killed (101 US) and 728 wounded (613 US). In ad-

dition, allied units had captured and/or destroyed enemy stockpiles containing more than 55 tons of ammunition, explosive, and food-stuffs.

Elsewhere in Quang Tri Province, two battalions of the 1st ARVN Regiment killed more than 150 Communist troops during a 14-hour engagement on 20 and 21 May with an estimated North Vietnamese Army (NVA) battalion some five miles east of Quang Tri city. On 21 May elements of the 325th NVA Division launched a heavy mortar attack against the allied Special Forces camp at Lang Vei near the Lao border, but failed to breach the camp's defense perimeter in a follow-up ground assault.

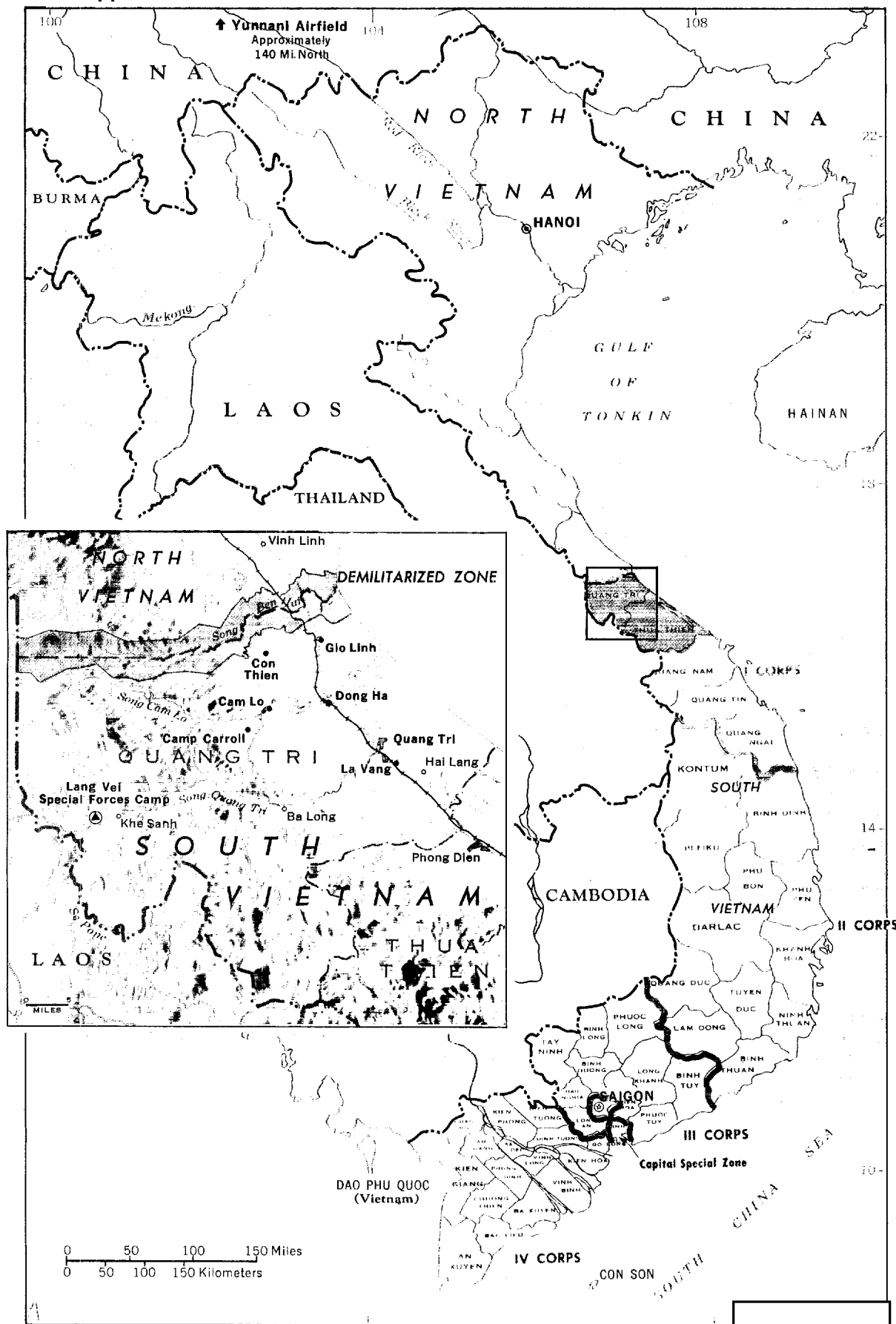
### Heavy Infiltration Continues

There are indications of continuing North Vietnamese infiltration into the DMZ - Quang Tri - Thua Thien areas.

Recently captured documents indicate that the 9th Regiment/304th NVA Division entered South Vietnam via the DMZ on 1 March and that at least one of its subordinate battalions participated in

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the attack against La Vang, south of Quang Tri city, on 6 and 7 April. Although the present location of the 9th Regiment is unknown, there is evidence that the unit may have reinforced the Communists' "Northern Front" military command which is responsible for operations in Quang Tri and Thua Thien provinces.

In addition, there are tenuous indications that elements of the 330th NVA Division may be deploying to South Vietnam.

#### North Vietnamese Military

North Vietnam's limited fighter aircraft inventory has been seriously reduced during May with the loss of over 30 aircraft. Twenty-five have been lost in aerial engagements and another six, and possibly seven, fighters have been destroyed on the ground. Hanoi's operational in-country fighter strength is now estimated to be about 45 aircraft.

Despite these significant losses, Hanoi has a substantial reserve of jet fighters at China's Yunnani Airfield with which it can maintain at least a limited air defense capability.

#### Bloc Aid to Hanoi

A high level Hungarian military delegation led by the minister of defense visited Hanoi from 15 to 23 May. The almost exclusively military character of this delegation strongly suggests that military aid was discussed. This is the first such visit by Hungarian military personnel since North Vietnam came under aerial attack. Most other East European countries have sent delegations to North Vietnam in the past two years, but they have been primarily political in character.

Hungary has no independent capacity to supply Hanoi with sophisticated weapons systems but could provide small arms and support equipment or some trained personnel. The background of the men on the delegation would qualify them to discuss a variety of military aid specialities, including conventional artillery systems.

#### Politics in South Vietnam

Broad hints from Chief of State Thieu that he soon plans to announce his presidential candidacy in opposition to Premier Ky are creating some friction in the military and perhaps encouraging civilian candidacies.

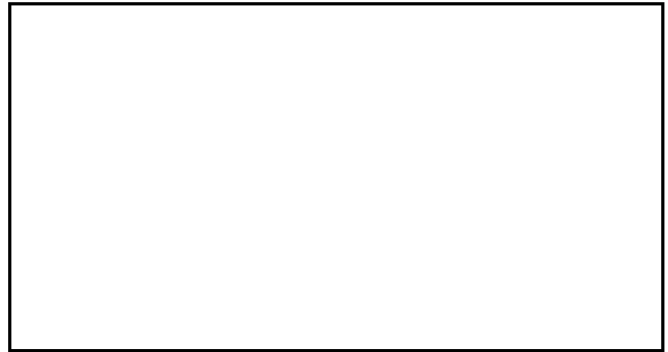
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In press interviews and public statements last week, General Thieu broached the possibility of his candidacy, but stopped short of committing himself. Foreign Minister Do and Thieu's press officer later declared that he had definitely decided to run. No official announcement has yet been made, however, and it is still possible that Thieu will not be a candidate. By promoting reports of his candidacy in the meantime, Thieu is trying to keep his options open and to prevent the military establishment from uniting behind Ky.

Ky's supporters are showing concern over the possibility of Thieu's candidacy. [REDACTED]



Civilian candidates may well feel that the war of nerves between Thieu and Ky significantly enhances their own prospects for an electoral victory. [REDACTED]

[REDACTED] former premier Tran Van Huong--the leading civilian contender--now intends to declare his candidacy.

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## LAOTIAN PREMIER'S POLITICAL MOVES FRUSTRATED

Laotian Prime Minister Souvanna's success in electing a more amenable National Assembly early this year has not yet led to substantive progress in resolving long-standing political problems.

The spirit of cooperation among regional, family, and military factions which seemed to be emerging after the election has diminished as Souvanna has sought to implement his oft-stated political goals. The reassertion of

factional suspicions and Souvanna's failure to win backing for a broad-based "united front" have forced him to abandon all but the least controversial governmental changes.

One of the unresolved problems is the reorganization of the cabinet. Although there is common agreement that changes are needed, Souvanna has found it difficult to make them without conflicting with regional interests. Thus his efforts to replace

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Deputy Prime Minister Leuam Insisiengmay, an obstreperous rightist, have foundered on the refusal of southern leader Boum Oum to see his protégé demoted.

Souvanna has also attempted to remove from Vientiane the left-leaning neutralist, Information Minister Pheng Phongsavan, long a target of rightist assembly deputies, by naming him ambassador to Moscow. His move was complicated by the cool Soviet response to Souvanna's intent to name the outgoing ambassador, rightist Khampan Panya, to the position of foreign minister. Unable to make these desired changes, Souvanna will reportedly content himself with filling certain minor subcabinet positions and will retain the foreign minister's portfolio himself.

Other political problems, such as the designation of a future successor to Souvanna, have been placed in abeyance because of the regional hostilities which they generate. Souvanna is sensitive to the fragility of his present alliance with key military commanders. His awareness of the danger in pressing changes too vigorously will probably

cause him to pursue a cautious course in the coming months.

On the military front, the Communists appear to be making a renewed effort to counter recent government initiatives in isolated areas of northern Laos. In late April and early May, Communist forces of perhaps two battalions captured several forward guerrilla positions north-east of the royal capital of Luang Prabang (see Indochina map on page 3).

Farther east near Communist-held Samneua town, enemy forces were reported early this month to be moving toward a progovernment outpost with access to important lines of supply from North Vietnam. The Communists had been pushed back earlier in recent fighting in the area.

Although they are reacting to the increased aggressiveness of government forces, the Communists probably are also trying to weaken the government's ability to monitor their movements from advance outposts, some of which are behind their lines.

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## HONG KONG GOVERNMENT SUPPRESSES COMMUNIST-LED DISORDERS

Strong measures by the Hong Kong government against Communist-led agitation has set back for the moment the Communist challenge to British authority in the colony. Peking is maintaining pressure, however, through diplomatic moves and harassment of British diplomats.

On 22 May the police used tear gas and truncheons to disperse mobs in the main shopping area of Hong Kong island--an episode which Communist propaganda exploited to spread charges of brutality. The government has since banned all unauthorized processions and meetings in an effort to prevent further incidents. Since the disorders began on 6 May over 600 demonstrators have been sentenced to jail terms ranging from three to 18 months.

In addition, the local authorities have banned the broadcast of inflammatory statements from loudspeakers and set heavy penalties for violators. London has approved actions against the Peking-controlled Bank of China which has acted as a command post for the agitation, and has dispatched a helicopter assault ship carrying British commandos.

Confronted by this firm stand, the Communists appear uncertain as to their future course. Their influence in leftist unions has been spotty. Sporadic busmen's strikes have been only partially effective, and only half the employees in the gas

company responded to a four-hour strike call. Although the Communists appear to be planning future strikes against the utility companies, the authorities can probably maintain essential services with a well-organized emergency volunteer corps.

In Peking on 22 May the British chargé was handed a strong protest over alleged British "atrocities" in Hong Kong. The Chinese also called for a quick reply to the Foreign Ministry statement of 15 May which had demanded that the British release arrested demonstrators, punish those guilty of police brutality, make an apology, and guarantee that similar actions will not occur.

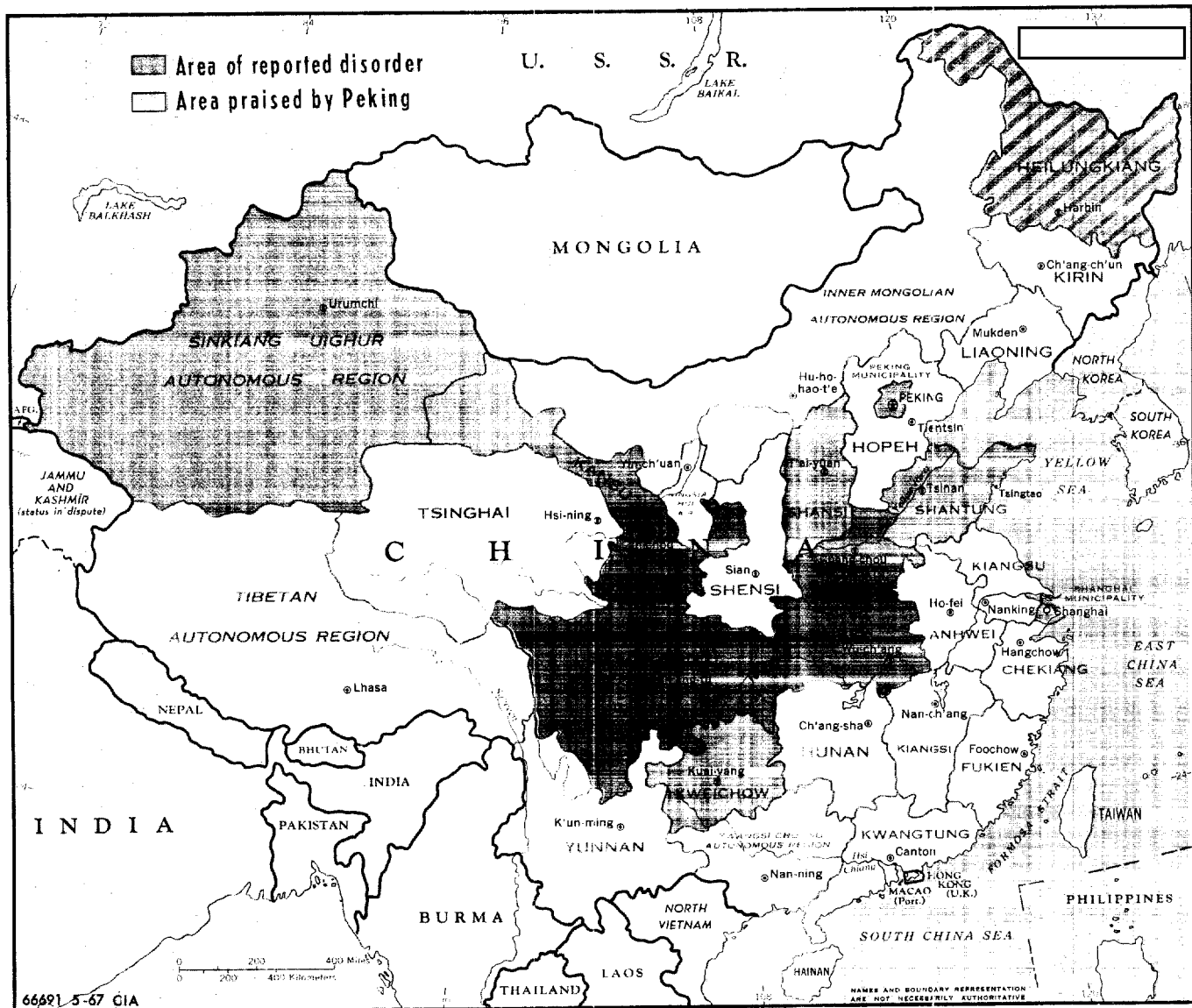
The British have deliberately avoided acknowledging the Chinese demands in the hope that Peking would let the matter slide. Since many of those arrested have already been tried, convicted and sentenced, the British could not release them without suffering the same loss of face the Portuguese accepted in Macao.

Peking's reiteration of its demands suggests an intention to maintain pressure until it gets some concessions from the Hong Kong authorities. In other moves, Peking ordered the closure of the British representative's office in Shanghai and on 24 May renewed demonstrations outside the British Embassy in Peking.

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## CONTINUED DISORDER IN COMMUNIST CHINA

Chinese Communist propaganda media continue to report widespread violence involving pro-Mao forces in accounts which are probably exaggerated and designed to discredit local officials. Their circulation underscores Peking's difficulty in effecting political changes in the provinces, however, and implies that leaders in Peking disagree on who is to be purged.

The latest wall posters allege that Red Guards have been massacred by the hundreds in Heilungkiang and Szechwan recently, and have been involved in lesser conflicts in several other provinces. Almost all reports blame local military commanders for instigating the conflicts.

In Heilungkiang--long touted by Peking as a model area--posters claim that regular army troops, led by a deputy commander of the Heilungkiang Military District, joined with "reactionary" forces to attack pro-Mao elements on 14 and 19 May. More than a thousand people, including representatives of prominent Red Guard organizations in Peking, were allegedly killed, wounded, or arrested. Other posters charge that Wang En-mao, commander of the Sinkiang Military Region, ordered the arrest of numerous Red Guards involved in clashes which broke out in Urumchi on 16 May.

Other posters, and some provincial broadcasts, indicate that local military commands are in open conflict with militant Red Guards in Szechwan, Honan, Kansu, and Hupeh provinces. In only one area has the regime apparently taken forceful measures to end the fighting. According to one poster on 18 May, Premier Chou En-lai ordered troops deployed into a district of Szechwan where local troops had been fighting Red Guards. Since then, however, additional bloody fighting is said to have erupted in other parts of the province.

Peking's handling of recent disorders in the provinces has been equivocal. An editorial in the People's Daily of 22 May strongly denounced those who resort to violence, said they had caused serious production losses, and implied that Mao Tse-tung had personally authorized army units to intervene and stop violent clashes. There is little evidence that this order is being vigorously enforced, however, and other recent editorials take a militant line in stressing the need to sustain the drive against Mao's enemies, including those who have "sneaked into the army."

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## EUROPE

British Foreign Secretary Brown's delayed visit to Moscow began on 22 May. The Middle East crisis probably has commanded primary attention in his discussions.

Both Britain and France are eager to attract broad international support for any action that might have to be taken in the crisis. Paris has also approached the Russians to use their influence constructively but received little satisfaction. The French are trying to maintain the position that they are the impartial friend of both the Arab and the Israeli sides.

The eyes of the Soviets like everyone else's have been drawn toward the Middle East, and they are maintaining a bold front on behalf of the Arabs. Moscow's propaganda on the Middle East has forced its harangues over Vietnam momentarily into second place. Condemnation of the US military action in the Demilitarized Zone and of the bombings in Hanoi has been sharp but not high pitched. Soviet Ambassador Dobrynin continues his protracted consultations in Moscow but, according to Foreign Minister Gromyko, will return to Washington "soon."

In other areas of US-Soviet relations, the USSR's Supreme Soviet Presidium late last week ratified the Outer Space Treaty and, although the Russians held to their tough bargaining position on the Nonproliferation Treaty, they continued to give signs that they wanted a treaty signed. The Soviets continue to object, however, to the articles on amendments and safeguards, and negotiations continue in Geneva toward some compromise which would permit the draft treaty to be tabled before the Eighteen Nation Disarmament Committee.

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## MOSCOW NAMES NEW KGB CHIEF

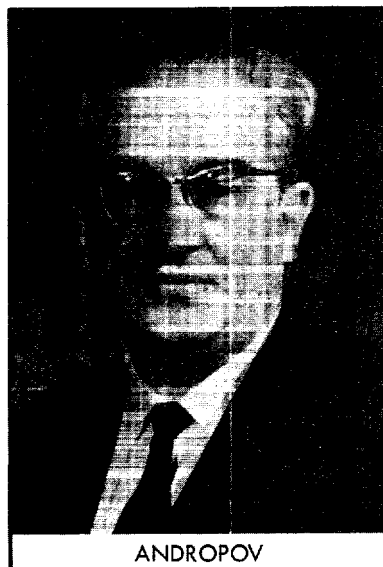
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The appointment of party secretary Yuri Andropov as chairman of the Committee of State Security (KGB) this week was probably a result of high-level dissatisfaction with the performance of that organization and of shifting power relationships in the politburo. The manner of the change suggests that the ousted chairman, Vladimir Semichastny, who had headed the KGB since 1961, is in disfavor. Semichastny's future remains uncertain

The public record of the KGB's errors during the past year or so alone may have been sufficient to convince the politburo that changes in its leadership were necessary. The KGB has no doubt been criticized for not preventing the defection of Stalin's daughter and for the intelligence operations recently exposed in Northern and Western Europe. Other blots on the KGB's record include its involvement in the kidnaping of US citizen Vladimir Kazan and its alleged role in both the Rankovic affair in Yugoslavia and attempts to subvert Rumanian party officials. The party leadership may also have been concerned that Semichastny was becoming so entrenched and influential as to escape the party's control. His organization's missteps could then merely

have hastened the change which the leadership probably expects will enable the party to tighten control over the KGB and ensure the subordination of its activities to broaden foreign policy considerations.

Thus far there are no good clues as to how Kremlin politics figure in the change, but Semichastny's removal could be damaging to his long-time political patron and predecessor as KGB chief, politburo member Aleksander Shelepin. Late last year there were rumors--which cropped up again about a month ago--that Semichastny's removal would be the next step in the gradual erosion of Shelepin's position. During the past month or so, however, Shelepin has been more active in tasks outside his assigned



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responsibility for overseeing the consumer goods sector of the economy. Most notable was his attendance with Brezhnev and Andropov of last month's meeting of European Communists at Karlovy Vary.

Like the two previous KGB chiefs, Andropov is not a professional security official. He has been engaged for ten years in overseeing intrabloc party affairs--since 1962 as a member of the central committee secretariat. Although bloc unity has weakened during this period, there is no good indication that his performance has been considered unsatisfactory. At any rate, it is most unlikely that he would be

moved to the top security post if he were under a cloud.

Not since Beria's ouster in 1953 has the security chief simultaneously held a second top political post, and it is likely that Andropov will have to give up his place on the secretariat. A central committee plenum would be required to formalize changes in the secretariat membership. Party statutes call for a plenum no later than the end of June, and it may reassign secretariat responsibility for intrabloc relations and yield further insight into the effect of the KGB reshuffle on the leadership.

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## EEC MEMBERS TO MEET AT ROME SUMMIT

The meeting of the Six in Rome scheduled for 29-30 May will be their first at the summit level since 1961. Originally intended to mark the tenth anniversary of the Rome treaties establishing the EEC and EURATOM, the summit comes at a time when De Gaulle's strong opposition to Britain's membership in the community threatens again to divide France from the Five and to cloud prospects for political cooperation.

De Gaulle has cast a further shadow over the meeting by threatening to stay away if EEC Commission President Hallstein is present. The French have long been hostile to Hallstein as a strong

and effective advocate of European supranationality. De Gaulle's behavior in this connection has created considerable resentment among the Five, but De Gaulle is probably counting on their repressing it in order to avoid worsening the atmosphere. Hallstein apparently is to play no official role in the two-day session.

He recently withdrew his candidacy for president of the new 14-man commission which is to result from the merger of the present executives of the EEC, EURATOM, and the Coal-Steel Community, and one of the tasks at Rome will in fact be to select

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Hallstein's replacement. This may not be easy. The Italians are expected to press for acceptance of one of their candidates. EEC Vice Presidents Rey of Belgium and Mansholt of the Netherlands will also be strong contenders even though the Six have agreed to give first consideration to an Italian.

On "political unification," the summit is expected at most to make a gesture by agreeing to reinstitute the periodic meetings of the foreign ministers of the Six which started after the 1961 summit but subsequently were abandoned. The Five, despite a desire for some movement toward political unity, remain suspicious of French designs to use such sessions under the guise of political consultations to take certain matters out of the hands of the EEC Council. The Five are also reluctant to move far in this area without the British. Belgian Foreign Minister Harmel in a conversation with Ambassador Knight this week noted the impossibility of serious study of what the future political organization of Europe should be "until the UK is either in or out."

In any discussion in Rome of British entry, De Gaulle is likely to reiterate the line he took in his press conference last week that Britain is economically and politi-

cally unready for full membership. He will probably assert that admission of the British would disrupt progress toward integration and probably destroy the Community. The French are apparently also spreading the word--despite its inconsistency with the latter argument--that De Gaulle will demand a complete reorganization of the Community to take account of new members. Another line being heard from the French is that the commission, whose opinion is required on entry questions, will not be in a position to give advice because of the reorganization necessary when the merger agreement goes through.

None of the Five is eager to confront the French over British entry, and an open break on the question in Rome appears possible only if De Gaulle should refuse to consider any negotiations with the British. The Dutch are planning to try in Rome to form a united front of the Five in favor of entry negotiations, [REDACTED]

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[REDACTED]  
In the meantime, discussion has begun on whether or not the UK application should be placed on the 5-6 June agenda of the EEC Council, as favored by the Belgians and Germans. The discussions in Rome may center on this point, but the turn of debate on the British question remains unpredictable.

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## UK RESISTS SPAIN'S PRESSURE ON GIBRALTAR PROBLEM

London is refusing to give in to pressures from Madrid to relax British control over Gibraltar.

The present phase of their confrontation began in mid-April when the Spanish announced a new zone prohibited to all air traffic--a restriction which would affect operations at the Gibraltar airport, especially in bad weather. The British reacted by calling off a fifth round of talks on the Gibraltar problem scheduled for 18 April. These were to be held to comply with a UN General Assembly resolution inviting both countries to negotiate over decolonization of Gibraltar. The British also appealed to the International Civil Aviation Organization (ICAO) to get the Spaniards to postpone the 15 May effective date of the prohibited zone. Evidently influenced by the Spaniards' argument that the problem was a political matter not under its jurisdiction, the ICAO Council took no action.

When the ban took effect, the British indicated that their civil aircraft would try to comply with the restrictions and in bad weather would fly to other airfields rather than make major infringements of the prohibited zone. British instructions permit minor infringements when necessary to meet safety require-

ments. Good weather during the first week of the ban has provided no occasion to test these instructions. Spain has made a show of keeping British aircraft under surveillance with F-86 jets and a radar-equipped destroyer.

On 17 May, the British requested direct negotiations with Spain about the effects of the prohibited area on use of the Gibraltar airfield. When the British ambassador delivered the note, the Spanish Foreign Ministry gave him a Spanish note asking for prompt resumption of the postponed general negotiations on Gibraltar. The British replied the following day with a strong note which rejected the Spanish request for general talks unless Spain is willing to lift the air traffic restrictions or at least discuss this issue.

The Spanish press announced on 23 May that Spain had replied with still another note inviting the British to send a negotiating delegation to Madrid on 5 June. The note indicated that although the air traffic prohibition has gone into effect and will not be altered, the Spanish Government will listen to whatever the UK desires to say about it. This move may reduce tension by opening the way for resumption of talks.

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## THE NEW YUGOSLAV GOVERNMENT

The Yugoslav Government underwent a sweeping change of leadership this week to conform with a provision of the constitution that one half of all officials be rotated every four years. The personnel changes and accompanying organizational adjustments ensure the continuation of the regime's economic reform program, further enhance the authority of the leaderships in the republics, and neatly balance power between the two important rival republics--Serbia and Croatia.

Tito, as expected and as allowed by the constitution, was re-elected to the presidency for the fifth straight time. In the Federal Executive Council (the cabinet), however, nine of the 17 members are new and the eight holdovers are strong backers of the country's economic reforms. These include the dynamic young liberal, Mika Spiljak, and economic expert Kiro Gligorov, in the important positions of premier and deputy premier, respectively. All but one of the top leaders of the Federal Assembly (parliament) were rotated.

Tito's long-time friend, Defense Minister Gosnjak, was rotated out, as was Assembly President Edvard Kardelj, who for many years rivaled the deposed Aleksandar Rankovic for the number two spot behind Tito. These and other former leaders probably will become policy advisers. The only important demotion apparently was that of Veljko Vlahovic, who was not returned to parliament in any

capacity. There have been rumors that Vlahovic favors closer relations with Moscow.

The changes preserve the important nationality balance among the major government offices. Although two of the top leaders--Tito and Spiljak--are Croats, Assembly President Popovic is a Serb and becomes second to Tito in the government. The Serbs, who previously had complained that they were not receiving a fair share of the key positions, also were given the defense secretariat and the new secretariat for economy.

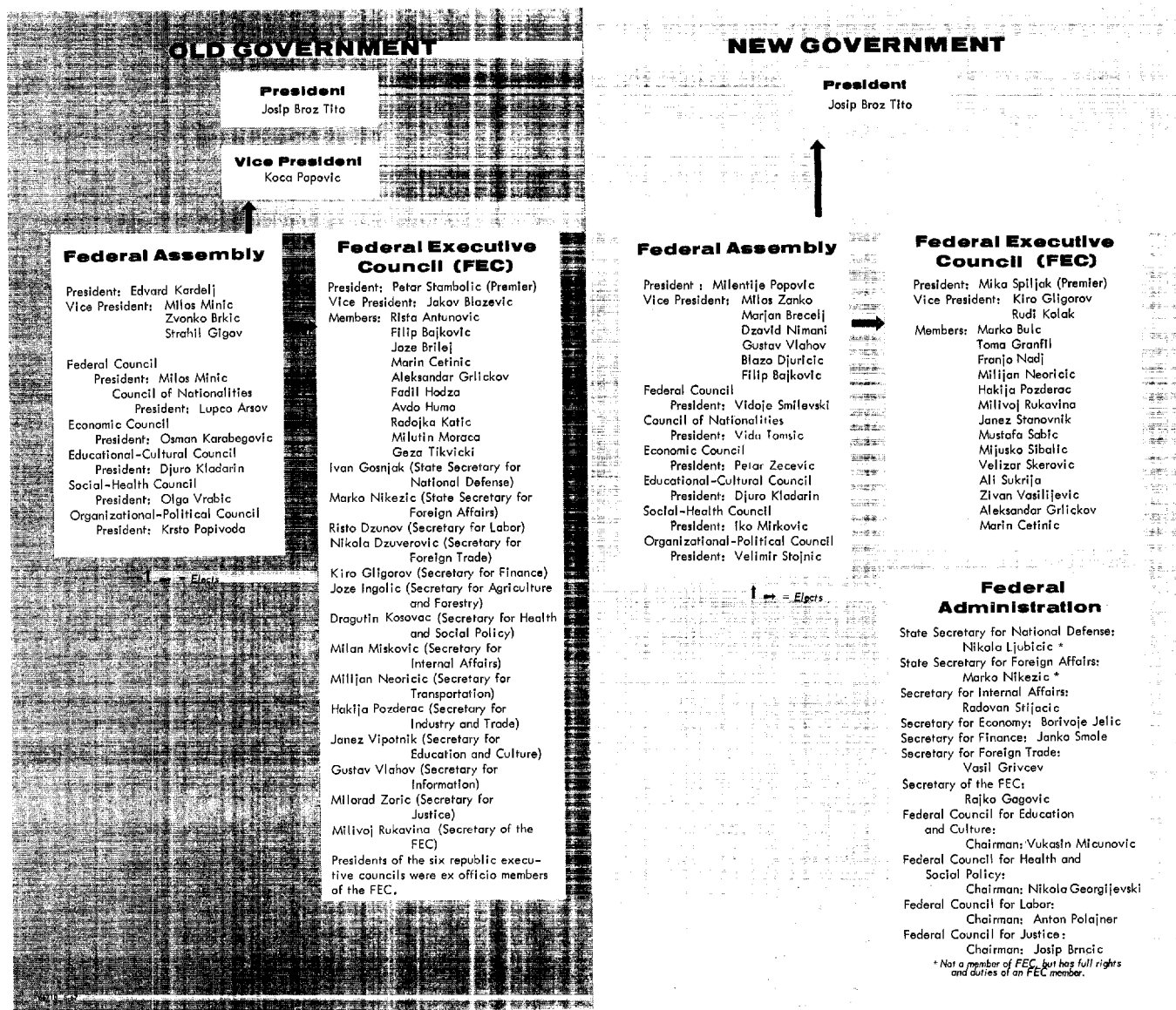
Organizational adjustments have further increased the authority of Yugoslavia's six constituent republics. The number of federal secretariats was reduced from 13 to 6, and newly created federal councils responsive to the republics were created to replace the abolished secretariats.

The election and reorganization also diffuses power within the government. Tito has not only made it difficult for any single successor to dominate the party, but he has also made accumulation of individual power difficult in any future government. The post of vice president has been abolished and the constitutional status of the deputy commander of the armed forces removed. Tito apparently intends that power will devolve to the Federal Assembly, and not to any individual, following his death.

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## Yugoslav Government Changes



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## MIDDLE EAST - AFRICA

The Arab-Israeli confrontation overshadowed all other problems in the Arab world this past week. Even if the crisis should be contained, the latest events have raised new political currents. The Arab peoples are fascinated with the prospects of a war against Israel. From Jordan, for example, there are reports of a rise in Nasir's popularity and a drop in King Husayn's, even within the army, and the King has felt obliged to make new gestures toward Arab military unity.

The pace of Egyptian air strikes against royalists and dissident tribes in Yemen may be slowed by the diversion of Egyptian units to Sinai. For the time being, this would probably also serve to reduce Egypt's military threat to Saudi Arabia along the Yemen border.

In Aden, the two principal nationalist terrorist groups are submerging their internecine quarrel and focusing anew on the British and the South Arabian Federation Government. Although this may not be related to the Arab-Israeli crisis, Adeni nationalist leaders have been meeting in Cairo.

How far the Egyptians push their campaign of vilification against the US and the UK, and whether this will encompass the sabotage against American properties Cairo is calling for, depends on the evolution of the crisis. There is some indication that Cairo is preparing to exploit documents purloined from the US AID installation in Taiz.

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## ARAB-ISRAELI CONFRONTATION AT NEW HIGH

Nasir's announcement on 22 May that the Gulf of Aqaba would be closed to Israeli shipping has brought the long confrontation between the Arab world and Israel as close to flash point as it has been since 1958.

The Egyptian proscription on shipping into the gulf, and thus into Israel's highly strategic port of Eilat, extends not only to all Israeli shipping, but to oil cargoes carried by ships of any nation. Since the bulk of Israel's oil imports, in addition to its exports of phosphate now transit the narrow Strait of Tiran at the entrance to the gulf, Nasir is threatening what the Israeli's view as a vital life line.

The Egyptian announcement came on the eve of the departure of the element of the United Nations Emergency Force (UNEF) posted at Sharm ash-Shaykh southwest of the Strait of Tiran. Its presence had been a token of the assurances of safe passage for Israeli shipping which Tel Aviv won in 1956-57. Last week, Nasir first demanded that the UNEF units withdraw temporarily from Sinai to the Gaza Strip, and then insisted that the UNEF be pulled out of Egypt altogether.

Although Nasir may not have expected the early withdrawal of the UNEF which followed his request, the Egyptians moved rapidly to reinforce and occupy their military positions in Sinai. Until his threat

to intercept shipping was issued, the Egyptian deployments were consistent with the assumption of a defensive posture which would be touted as indicating his readiness to attack Israel in the event of an Israeli strike against Syria. Now, however, Nasir has put himself in a position where he must either follow up on his threat or retire behind a smokescreen of allegations of international pressure.

Egyptian forces have deployed to Sharm ash-Shaykh, which controls the narrow Strait of Tiran and the ship passage hugging the Sinai coast. Additional naval units have been sent south to the Gulf of Suez and the northern Red Sea. These forces would be employed in a ship interception operation.

Egyptian public statements about mining the entrance to the Gulf of Aqaba, however, may be exaggerations. Whether or not Egyptian units will interfere with shipping given military escort also is not clear. Nasir, however, has threatened this, and if he felt hard pressed he might shoot regardless.

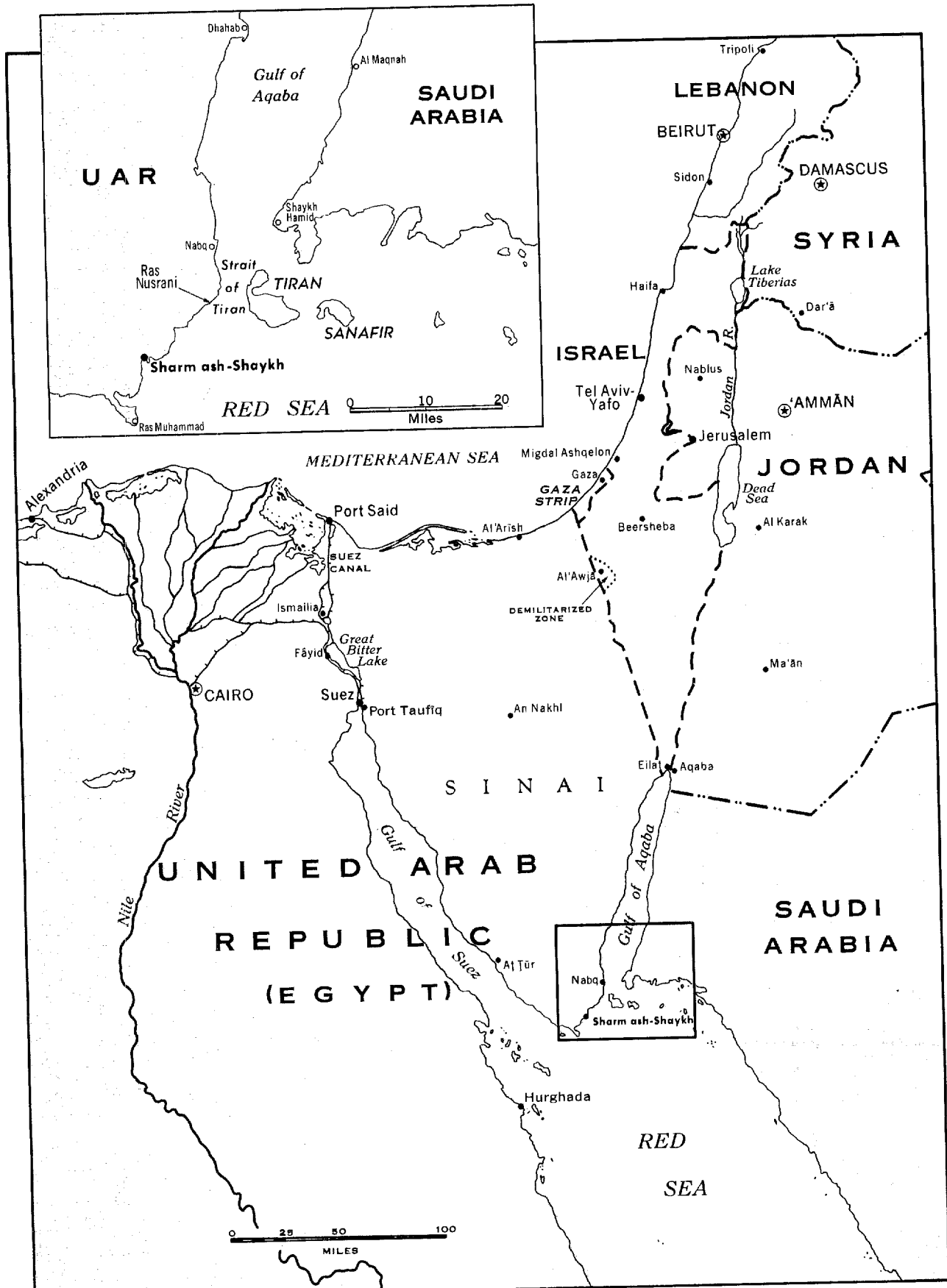
The first test of the blockade is expected sometime in the next few days, when two tankers of Liberian registry, but possibly Israeli owned, are due at Eilat with cargoes of Iranian crude oil.

All the Arab states in the area have undertaken some kind of military

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mobilization or emergency deployment.

Statements from Damascus meanwhile, give no indication that Syria intends to exercise any restraint over terrorist forays into Israel by the Palestinian groups it supports. The Israelis report finding more explosives on 25 May. There are indications, however, that Egyptian authorities in the Gaza Strip have acted to ensure against forays into Israel from Gaza. Increased patrolling on both sides of the Israeli border in the Gaza sector has led to several incidents, but so far these have not been permitted to get out of hand.

King Husayn of Jordan has been put in a most difficult position by the onset of the crisis. On the one hand, his government is making every effort to ensure against the mounting of terrorist operations via Jordan. On the other, as a good Arab he has felt obliged to make gestures toward joining in with Egyptian and Syrian military planning. This has been rebuffed, but if an Arab-Israeli clash erupted he would probably feel similarly obliged to put Jordanian forces into action as well. According to reports from Jordan, there is an upsurge of popular support for Nasir, particularly among Palestinian Jordanians, over his measures toward confronting Israel, and a parallel decline in popular support for the King, even within the army which has so long been the mainstay of his regime.

Amman has withdrawn its representatives from Damascus in retaliation for the explosion on 21 May of a bomb carried over the border into Jordan in a Syrian automobile. This killed 16 people near the border checkpoint.

The Israelis are standing on Prime Minister Eshkol's statement of 23 May that Egyptian interference with shipping would be considered an act of aggression. The most recent Israeli statements, in contrast to those of the Arabs, have been relatively restrained, but, at the same time, the Israelis are taking care not to tip their hand. They evidently regard the Egyptian deployments as a more serious threat than they had previously considered them.

The USSR, whose attitude may determine whether or not the Syrians and in particular the Egyptians push events toward a conflict, is maintaining a bold front on behalf of the Arabs. In public statements and in talks with Western representatives the Soviets have backed the Arabs and condemned Israel and her "imperialist supporters," and in the UN the Soviet response to suggestions for multilateral consultations has been negative.

There have been hints, however, that in private the Soviets may be counseling both Cairo and Damascus to exercise more restraint in their actions than in their propaganda.

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Initial Western efforts in the UN Security Council to find some formula for defusing the crisis were stalled when they met opposition from the Afro-Asians and the Communist nations. Further action along these lines presumably depends on Secretary General U Thant's report on his meetings in Cairo with the Egyptian leaders. Some UN members are trying to find a way to re-establish a UN presence to fill the void left by the abrupt departure of the UNEF from Sinai. The UN might, for example, try to work through the defunct Egyptian-Israeli Mixed Armistice Commission on the UAR side of the border and on the Israeli side through the UN Truce Supervision Organization, which is still active along the Israeli borders with Jordan, Syria, and Lebanon. There have been some signs from Cairo and Tel Aviv that both are rethinking their attitudes toward such bodies, but their first reactions were generally negative.

As the crisis has developed, Arab propaganda from Cairo and Damascus has become increasingly vituperative in its allegations that "the colonialists" and the US have plotted with the Israelis to flout Arab interests and take over the Middle East. In Arab propaganda, the situation is portrayed more and more as a confrontation with the US, and calls are being issued for attacks and sabotage against American installations and properties throughout the Arab world. If the crisis is defused, in the UN or through US or other Western pressures, Cairo--even though it may welcome it in private--can be counted on to portray this as a blatant exercise of imperialism and to step up its campaign of agitation against the US throughout the Middle East.

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## FIRST STEP IN GREECE TOWARD RETURN TO CONSTITUTIONALITY

King Constantine's 21 May announcement of the formation of a committee to revise the constitution within six months marks the first move by the new Athens government toward returning to a parliamentary system. Previously, the members of the junta had refused to be pinned down to a schedule.

The task of rewriting the constitution will doubtless occupy the committee for the full six months. Even after this, moreover, it will probably be several more months before the government would be ready to present it to the public in a national referendum.

As the new government enters its second month in office its hold on the country remains unchallenged by any overt domestic resistance. So far economic activity has been normal. Life in general appears on the surface to be going on as usual, with the public neither conspicuously endorsing nor rejecting the group in power. The new government in fact has been able to allow a gradual easing of its original restrictions on the population without triggering any acts of opposition.

The coup leaders have remained out of public view for the last few days, apparently hard at work on two matters of great

importance to them--the removal of bureaucratic "deadwood" from government offices and the preparation of cases against the political prisoners who are later to be brought to trial.

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The retirement of a number of high-ranking officers and the reshuffling of the Orthodox Church hierarchy evoked little public response.

Relations with the King appear workable, although not cordial. Constantine's efforts to keep himself in the public eye and to avoid being upstaged by the junta members were aided by the timely arrival of an heir apparent on the King's nameday, 21 May. The King plans to make a royal tour of military installations "down to company level" during the next week or so, and will undoubtedly do his best to increase the personal allegiance he commands within the army.

There is no real evidence of a split between the new regime's two strong men, Papadopoulos and Pattakos. There have been occasional rumors that one is developing, but these may be based on wishful thinking. A recurrent theme is that Pattakos, a native of Crete, has shown favoritism to his fellow islanders and that this is resented by Papadopoulos.

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## INDIAN PARLIAMENT OPENS DIFFICULT SESSION

The current session of India's Parliament (22 May - 11 August) promises to test the cohesiveness and effectiveness of the ruling Congress Party and of Prime Minister Gandhi's new cabinet.

The party's position in this first full-scale session of the new Parliament since its election in February appears on the surface to be marginally strengthened over that in the initial short inaugural session (18 March - 18 April). During that session the opposition parties--despite their substantial ideological differences--were able to demonstrate increasing solidarity under the unifying influence of a common desire to discredit the already humbled Congress Party.

Now, however, the defections from the opposition front which contributed to its loss of the recent presidential contest to the Congress candidate have led to bickering which has damaged the image of cohesiveness which the opposition parties had managed to project at the national level. Nevertheless, they will undoubtedly continue to seek every opportunity to embarrass and distract the government.

At the same time, the Congress Party's unity and confidence, although probably restored somewhat by its impressive victory in the presidential contest, is still in question. Potentially troublesome cleavages within its hier-

archy and incipient unrest among a few Congress members of Parliament were only superficially papered over in a recent lengthy meeting of the party high command. The opposition parties, however, offer little attraction to potential Congress defectors at the national level.

The major piece of legislation to be considered at this session of Parliament is the annual general budget. No matter what its character and content, this will be subject to controversy. Deputy Prime Minister and Finance Minister Morarji Desai is expected to submit a standstill budget directed mainly at controlling excessive deficit financing and halting India's spiraling inflation.

Present economic stagnation is expected to continue at least until crops are harvested next autumn. This is bound to heat up the political atmosphere this summer and provide ample opportunity for opposition grandstanding. Center-state problems as well as possible crises in some of the state governments not controlled by the Congress Party may provide further distractions. This may especially be the case in West Bengal, governed by a coalition in which the Communists are the largest element. Here, the uncertain internal security situation is a source of great concern to New Delhi.

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## DEVELOPMENTS IN THE NIGERIAN CRISIS

Lt. Col. Gowon, head of Nigeria's federal government, has made a new attempt to conciliate Eastern Governor Ojukwu, but the odds continue to favor eventual secession of the Eastern Region and some form of federal military counteraction.

Last week, Gowon ordered the lifting of economic sanctions against the East and asked Ojukwu to demonstrate good faith by revoking his recent antifederal edicts, as well as by releasing railroad cars being held in the East and returning hijacked aircraft. In thus accepting the recommendations of the unofficial civilian National Conciliation Committee, Gowon is trying to show that he is doing all he can to prevent the breakup of the federation.

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Gowon has indicated [redacted] that with this initiative he is also laying the groundwork for stronger action against Ojukwu at a later date should this be decided on. Operational military planning by federal staff officers is clearly continuing, and probably includes military action aimed at least at supporting guerrilla activity among Eastern minority tribes. Such action

might well go hand in hand with a federal decree creating additional states separating the majority Ibos in the East from the minority tribes.

Although the East has not yet formally responded to Gowon's initiative, it is unlikely at this time to take any significant step backward from its course toward secession. Indeed, the Eastern Region's Consultative Assembly, scheduled to meet on 26 May, reportedly will give Ojukwu a mandate to declare the East independent, as the "Republic of Biafra," whenever he decides the time is ripe.

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## WESTERN HEMISPHERE

Turbulence continued to dominate the domestic scene in a number of Latin American countries last week while diplomatic activity in the area was generally low-key and inconclusive.

Little forward movement has been made recently by either Venezuela or the Organization of American States in deciding just how to handle the latest example of Cuban subversion in Venezuela. The main Venezuelan labor confederation has reinstituted a boycott of shipping from countries trading with Cuba, but government officials in Caracas and elsewhere in Latin America are increasingly pessimistic about chances of getting multilateral agreement on any more meaningful anti-Castro measures than those limited ones now in effect.

Students and their violence-oriented activities are continuing to plague authorities in several countries. In Panama, Communist-controlled students trying to re-enact the anti-US student riots of May 1958 were at least temporarily squelched by local security forces. The Mexican state of Sonora, where martial law has been imposed in the wake of prolonged student rioting against the government, is calm but tense as arrests continue. Brazilian students apparently are becoming more rambunctious as a result of the relative permissiveness of the Costa e Silva administration and were able to stage new demonstrations in Rio de Janeiro on 24 May.

There was little change in the insurgency situations in Bolivia and Guatemala during the week although the number of terrorist incidents in the latter country increased despite heavy pressure from army and police forces. The number of terrorist incidents in the Dominican Republic dropped, however, and political tensions there subsided a bit as a result. Meanwhile, on the other end of the island, Haitian dictator Duvalier continued what appears to be a general housecleaning of possible troublemakers from his security forces and government entourage, making the first cabinet changes since November 1965.

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## MEXICAN GOVERNMENT CRACKS DOWN IN SONORA

A wave of arrests continues in Mexico's northwestern border state of Sonora, where the tense calm of martial law has replaced antigovernment rioting.

Student leaders of the three-month-old movement opposing the nomination of Faustino Felix Serna for governor are seeking refuge in the United States. Mounting popular indignation following the arrest of prominent citizens in many parts of the state has led to a steady build-up of federal troops to supplement the 1,200 soldiers already stationed in Sonora a week ago.

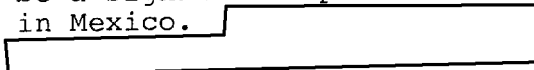


The governing Institutional Revolutionary Party (PRI) is undoubtedly alarmed by the wide support for the Sonora opposition, which is essentially a protest against Mexico's system of political dictation or "imposition" of candidates. Indicative of a rising demand throughout Mexico for more honest and democratic repre-

sentation in the power structure are the many ovations accorded ousted PRI president Carlos Madrazo by student and labor audiences. Madrazo, a champion of democratization, is in extreme disfavor with the party hierarchy.

Government maneuvering behind the scenes is implicit in the absence of reaction outside the state to the army occupation of the University of Sonora. Mexican students, sensitive to government violation of university autonomy, normally respond vehemently to such action.

A new dimension has been added to the political situation with the entrance of a Party of National Action (PAN) candidate into the race for governor of Sonora. The PAN, identified with the right in Mexico, has provided the ruling PRI with its most energetic competition. PRI has not lost an important election for a generation, though, and even a good showing by a defeated opposition, should a large-scale defection by PRI dissidents occur in the 2 July elections, would be a significant political event in Mexico.



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## BRAZILIAN POLICY DIRECTION CAUSES CONCERN

There is growing concern among responsible Brazilian military and political leaders over President Costa e Silva's failure to assert firm leadership in either domestic or foreign matters.

In the absence of clearly defined administration policies, politically ambitious cabinet ministers are maneuvering for position. This is leading to some instability in the cabinet and to the development of centrifugal forces within the government, to the detriment of centralized planning and authority.

Particularly criticized has been the "independent" foreign policy vigorously espoused by Foreign Minister Jose Magalhaes Pinto.

For example, the Foreign Ministry has backed away from Castello Branco's strong support of the US position in Vietnam. In an appearance before Congress, Magalhaes Pinto became the first

authoritative Brazilian spokesman in several years to fail to indicate solidarity with the US, saying instead that Brazil will remain "distant" from that conflict.

Also, despite repeated private reassurances to US officials, the government has done virtually nothing to halt recent anti-US incidents. Security officials reportedly have expressed alarm over government indifference toward large anti-US student demonstrations. Top military leaders fear that unless the government reacts more firmly to extremist-inspired student agitation than it has in recent weeks, increasingly provocative demonstrations may cause it eventually to react with undue force.

Many Brazilians are becoming concerned over Costa e Silva's preoccupation with seeking popularity at the expense of clearly defined policies and effective leadership. He has shown a definite reluctance to intervene in issues where his action might erode his public support. Costa e Silva retains strong support from the bulk of the military. The military, however, could probably be an effective brake only on policies that might threaten its own vital interests.

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## PERU'S FISCAL CRISIS CAUSING POLITICAL PROBLEMS

A worsening economic and fiscal crisis in Peru has forced a major confrontation between President Belaunde and the opposition-controlled Congress which could lead to military intervention.

At issue is the administration's request for general authority to levy new taxes to meet the crisis. Specifically, Peru is facing increasing inflationary pressures and a deteriorating balance of payments. The budget deficit is approaching \$200 million compared with last year's deficit of \$66 million. Foreign reserves dropped from \$140 million at the end of March to only \$105 million on 22 May.

As a partial remedy the government has frozen the salaries of all government employees and has proposed sharp cuts in non-military expenditures. On 8 May, Finance Minister Mariategui appeared before Congress with the government's plan. He warned that currency devaluation could result unless new taxes were authorized. The President's opponents in Congress, however, claim the proposed measures fall primarily on the working classes--a major bastion of political strength for the largest opposition party, APRA. APRA leaders have proposed instead even greater budgetary austerity, which would affect many of the President's pet projects.

In the face of this political stalemate, rumors have begun to circulate that military leaders are restless and that the President may be planning some extra-legal moves. US Embassy officials have received reliable information that Belaunde told leaders of his own party on 18 May that he plans to dissolve Congress--presumably when it reconvenes next week--at least long enough to implement tax measures by decree, although the constitution has no provisions for such an action.

Some reports reaching the embassy indicate that the military will support the President by serving notice on the Congress that it must comply with the executive's request for new tax authority or face dissolution. Still other rumors have it that the cabinet is about to be reconstituted to include military officers or that a new all-military cabinet is to be appointed.

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## CUBA PLEDGES TO SUPPORT SUBVERSION

Cuba's admission of complicity in the landing of a guerrilla team on the coast of Venezuela on 8 May is a measure of the Castro regime's commitment to violent revolution. In openly admitting involvement in the incident, Cuba effectively laid to rest any suspicion that the affair was staged by Venezuelan officials to provide "proof" of Cuban intervention.

A communiqué made public in Havana on 18 May acknowledged that three infiltrators captured by Venezuelan forces after the landing were Cuban nationals, and defiantly announced that "we indeed are giving help, and shall continue to give help as many times as we may be asked to do so, to all the revolutionary movements fighting against imperialism in any part of the world." Although the communiqué was issued in the name of the central committee of the Cuban Communist Party, it bears all the marks of Fidel Castro's flamboyant and aggressive style.

The communiqué, perhaps a tactical blunder, may have been precipitated by frustration over several reverses the Cubans have recently experienced in attempting to export revolution. On 8 May, President Balaguer of the Dominican Republic announced that an

agent of Cuban intelligence, with a clandestine radio and espionage paraphernalia, had been seized in Santo Domingo. On 3 May, the Colombian Government announced the capture of a courier involved in smuggling counterfeit passports to Havana.

The Bolivian Army, recovering from a clash with Cuban-supported guerrillas, on 20 April captured Jules Regis Debray, a noted French intellectual and highly touted exponent of Castro's revolutionary philosophy who recently spent a year in Cuba. In Guatemala, Luis Turcios Lima, leader of a Cuban-supported guerrilla group called the Rebel Armed Forces, was killed in an automobile accident last October. In Mexico, a Cuban diplomat had to be recalled last September when he was caught in the roundup of a clandestine ring supplying arms to Guatemalan guerrillas.

The incident in Venezuela, therefore, is merely the latest in a long string of Cuban setbacks in the field of subversion. The communiqué makes it clear, however, that the Castro regime will not slacken its efforts to provide material support for pro-Cuban insurgents where chances for their success are judged to be high.

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## OAS MOVING CAUTIOUSLY ON CUBAN AGGRESSION ISSUE

Members of the Organization of American States are reacting with considerable caution to Venezuela's call for early action against Cuban subversion. All Latin American countries approve calling a consultative meeting of foreign ministers of the OAS, but many of them feel that a consensus should first be reached on exactly what the meeting is to accomplish. They fear that a hastily called meeting without a definite objective will only underline the impotence of the OAS in the face of Cuban support for Latin American revolutionaries.

Some governments, such as the Frei government in Chile, although willing to support a consultative meeting of foreign ministers, have suggested that the OAS has already exhausted

its legal possibilities of action against Castro and would prefer that the present case be taken instead to the UN.

Venezuela recognizes that a mere condemnation by the OAS without specific sanctions will have little effect on Cuban subversion. It also recognizes that application of the few measures still possible under the OAS charter, such as a blacklist of firms trading with Cuba, will not curb Castro. After Havana's statement on 18 May admitting its interference in Venezuelan affairs, however, President Leoni said that Castro's regime must be punished "at all costs" and that if the OAS does not take action, "Venezuela will have to do it on its own."

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